



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 3/21/2002

GAIN Report #IN2013

India

Grain and Feed

Update - April

2002

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Report Highlights:

Ideal late-season conditions have boosted MY 2002/03 wheat crop prospects to 73 million tons. Expected heavy procurement could increase government stocks to 45 million tons by June 30.

Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

New Delhi [IN1], IN

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Ideal Growing Conditions Boost Wheat Production Forecast

Ideal late-season growing conditions seem likely to boost 2002 wheat production to 73 million tons, a million tons above our March forecast. Harvest is already underway in central and western India, and will begin in the major surplus producing states of Punjab and Haryana in the next few weeks.

Stocks to Scale A New High

With another near record wheat harvest in the offing, and private traders again on the sidelines, government procurement under the price support operation is expected to equal or exceed last year's record 20.6 million tons. Although the government has not announced the wheat support price for MY02/03, major surplus states are demanding an 18-20 percent increase from last year's rs. 6,100 (\$125) per ton. It is quite likely that the government will raise prices modestly, exacerbating the surplus problem.

Government wheat stocks were 30.2 million tons on February 1, and are projected to reach 27 million tons by April. While offtake has increased in recent months due to higher liftings by flour millers and exporters, heavy procurements could lift government wheat stocks to a record 45 million tons by end-June. Although the pre-Budget Economic Survey discussed the grain "surplus" issue in detail, the Finance Minister's Budget speech offered no clues as to how the government will address it. However, the FY 2002 food subsidy budget has been increased by 20 percent to rs. 212 billion (\$4.35 billion), and there are indications that the GOI might lower the prices of wheat and rice for local use as well as for exports. Since subsidized wheat exports began in November 2000, around 5 million tons have been sold. Actual exports through mid-March were 4.3 million tons.

Government Lifts Ceilings on Grain Exports

The GOI has lifted quantitative ceilings on the export of wheat, wheat products, coarse grains and products through a notification issued March 5 by the Director General of Foreign Trade (DGFT). The required registration of export contracts with the Agricultural and Processed Food Export Development Authority (APEDA) has also been eliminated.

Rice Procurements Exceed Last Year's Pace

Government 2001/02 rice procurement, at 16.3 million tons, is 1.5 million tons ahead of last year's pace. With additional procurements expected in Andhra Pradesh, the MY 2001/02 total is likely to exceed last year's 19.1 million tons. In MY 2000/01 Andhra Pradesh emerged as the largest rice procuring state (7.17 million tons) followed by Punjab (6.93 million tons), Haryana (1.48 million tons), Uttar Pradesh (1.21 million tons), Madhya Pradesh (1.03 million tons), and Orissa (0.92 million tons). Government rice stocks were 26.1 million tons as of February 1, 2002 compared with 22.4 million tons a year earlier.

Rice Exports Remain Strong

Subsidized rice from government stocks is enabling India to expand exports. The government sales price to exporters of rs. 5,650 (\$116) per ton for white rice (25 percent broken) and rs.6,000 (\$123.20) per ton for parboiled (delivered to port), has enabled exporters to offer rice at around \$130 per ton for white and \$138 per ton for parboiled (25 percent broken). Some exporters are upgrading quality and offering 5-10 percent broken at \$140-145; 5 percent broken parboiled rice (sortexed) is \$160 per ton, and non-sortexed is \$150. These prices are significantly below those offered by Thailand and Vietnam.

While India's non-basmati exports have gone mainly to Africa, exports to Indonesia have also picked up because of competitive pricing. To help small exporters, the government is planning to lower the minimum purchase quantity for exports from 2,000 tons to 1,000 tons. Last year, the government reduced the minimum quantity from 10,000 tons to 2,000 tons as most foreign buyers were demanding rice in smaller lots. CY 2001 exports are estimated at 1.8 million tons.

Table 1: Government Procurement, Stocks and Off take of Wheat (year ago)
(million metric tons)

| | Stocks | Procurement Cumulative | Imports | Off take * |
|--------------------|---------------|-----------------------------------|----------------|-------------------|
| Jan 1, 2001 | 25.0 (17.2) | | | 0.9(1.3) |
| Feb 1 | 24.1 (15.8) | | | 0.9 (1.4) |
| Mar 1 | 23.3 (14.4) | 16.4 (14.1) 1/ | | 1.6(1.4) |
| Apr 1 | 21.5 (13.1) | | | 1.0(0.4) |
| May 1 | 29.2 (21.5) | | | 0.9(0.5) |
| Jun 1 | 37.6 (27.8) | | | 0.8(0.5) |
| Jul 1 | 38.9 (27.8) | | | 0.7(0.5) |
| Aug 1 | 38.7(27.6) | | | 0.8 (0.4) |
| Sep 1 | 37.9 (27.3) | | | 1.1 (0.4) |
| Oct 1 | 36.8 (26.8) | | | 1.3(0.4) |
| Nov 1 | 35.8 (26.5) | | | 1.5(0.5) |
| Dec 1 | 34.0 (26.0) | | | 1.5 (0.8) |
| Jan 1, 2002 | 32.4(25.0) | | | |
| Feb 1 | 30.2 (24.1) | 20.6 (16.4) 2/ | | |

*** Includes exports**

1/ Cumulative procurement : April 1, 2000 - March 31, 2001

2/ Cumulative procurement : April 1, 2001 - March 1, 2002

Table 2: Government Procurement, Stocks and Off take of Rice (year ago)
(million metric tons)

| | Stocks | Procurement Cumulative | Imports | Off take * |
|--------------------|---------------|-----------------------------------|----------------|-------------------|
| Jan 1, 2001 | 20.7(14.7) | | | 0.9(0.9) |
| Feb 1 | 22.4(15.4) | | | 0.8(1.0) |
| Mar 1 | 23.2(16.0) | | | 1.0(1.0) |
| Apr 1 | 23.2(14.9) | | | 0.7 (0.7) |
| May 1 | 22.9(15.1) | | | 0.8 (0.9) |
| Jun 1 | 22.9 (15.1) | | | 0.8 (1.0) |
| Jul 1 | 22.8 (14.5) | | | 0.9(0.9) |
| Aug 1 | 22.2(13.7) | | | 1.1(0.9) |
| Sep 1 | 21.6(13.5) | 19.1 (17.3) 1/ | | 1.5 (0.9) |
| Oct 1 | 24.8 (13.2) | | | 1.0(0.7) |
| Nov 1 | 26.5 (18.0) | | | 1.2(0.8) |
| Dec 1 | 25.1(19.5) | | | 1.3(0.7) |
| Jan 1, 2002 | 25.6(20.7) | | | |
| Feb 1 | 26.1 (22.4) | 16.3(14.8) 2/ | | |

* Includes exports

1/ Cumulative procurement: October 1, 2000 - September 30, 2001

2/ Cumulative procurement: October 1, 2001 - March 8, 2002

Table 3: Indicative Export Price per Metric Ton:

| | |
|-----------------------------|-----------|
| Wheat | \$100-103 |
| Rice | |
| White (25%) | \$130 |
| White (10%) | \$145 |
| Parboiled (25%) | \$138 |
| Parboiled (5%) sortexed | \$160 |
| Parboiled (5%) non-sortexed | \$150 |

Table 4: Commodity, Wheat, PSD Table

| | | | | | | | |
|------------------------|--------|---------|--------|---------|--------|---------|--------------------|
| PSD Table | | | | | | | |
| Country: | India | | | | | | |
| Commodity: | Wheat | | | | | | |
| | | 2000 | | 2001 | | 2002 | UOM |
| | Old | New | Old | New | Old | New | |
| Market Year Begin | | 04/2000 | | 04/2001 | | 04/2002 | (MONTH/ YEAR) |
| Area Harvested | 27,486 | 27,486 | 25,068 | 25,068 | 26,400 | 26,400 | (1000 Hectares) |
| Beginning Stocks | 13,080 | 13,080 | 21,500 | 21,500 | 27,000 | 27,000 | (1000 MT) |
| Production | 76,369 | 76,369 | 68,763 | 68,763 | 72,000 | 73,000 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 46 | 46 | 20 | 20 | 0 | 0 | (1000 MT) |
| Jul-Jun Imports | 46 | 46 | 20 | 20 | 0 | 0 | (1000 MT) |
| Jul-Jun Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 89,495 | 89,495 | 90,283 | 90,283 | 99,000 | 100,000 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 1,569 | 1,383 | 2,700 | 2,900 | 3,000 | 3,500 | (1000 MT) |
| Jul-Jun Exports | 2,357 | 2,357 | 3,000 | 3,300 | 3,000 | 3,500 | (1000 MT) |
| Feed Dom. Consumption | 500 | 500 | 500 | 500 | 600 | 600 | (1000 MT) |
| TOTAL Dom. Consumption | 66,426 | 66,612 | 60,583 | 60,383 | 63,000 | 64,500 | (1000 MT) |
| Ending Stocks | 21,500 | 21,500 | 27,000 | 27,000 | 33,000 | 32,000 | (1000 MT) |
| TOTAL DISTRIBUTION | 89,495 | 89,495 | 90,283 | 90,283 | 99,000 | 100,000 | (1000 MT) |